

STATE OF MAINE
KENNEBEC, ss.

SUPERIOR COURT
CIVIL ACTION
DOCKET NO. CV-03-137

STATE OF MAINE and)
SECURITIES ADMINISTRATOR,)
)
Plaintiffs,)
)
v.)
)
PAUL E. RICHARD,)
)
Defendant.)

CONSENT JUDGMENT

NOW COME the parties and stipulate that judgment in this case shall enter for the Plaintiffs, State of Maine and Securities Administrator, and against Defendant Paul E. Richard, on all counts of the Complaint.

1. Defendant Paul E. Richard admits and stipulates to the factual allegations set forth in Paragraphs 4-5 and 7-12 of the Complaint. Richard further admits that portion of Paragraph 6 of the Complaint alleging that “At no time were the Mid-America CGAs registered as securities with the Maine Office of Securities.”

2. Richard does not admit, concede, or otherwise agree with the legal assertions, theories, or conclusions contained in the Complaint. Richard does not admit any wrongdoing or legal liability for the acts complained of in the Complaint.

3. The parties consent to the entry of judgment as follows:

a. Richard is permanently enjoined from offering or selling securities in Maine or transacting business as a securities broker-dealer or sales representative in Maine.

b. Richard is permanently enjoined from offering or selling any type of annuity or any other product that contains an investment component, except that Richard may, if licensed to do so, offer and sell fixed annuities issued by an insurance company admitted in Maine and whole or universal life insurance policies issued by an insurance company admitted in Maine. Before making any sales of such fixed annuities or insurance policies, Richard must have reasonable grounds for believing that the product is suitable for the particular customer based on the customer's: (1) age and health; (2) current and likely future employment status; (3) financial situation, including other investments; and (4) financial needs, goals, and priorities. Richard shall ensure that he has acquired and documented sufficient information to enable later review of suitability by an auditor in accordance with Paragraph 3(e)(ii) below.

c. Richard is permanently enjoined from receiving referral fees or other compensation for referring people to persons who provide living trusts, wills, or similar products.

d. Richard is permanently enjoined from holding himself out as providing any type of planning services to the elderly.

e. Commencing immediately and continuing through January 10, 2006, Richard is enjoined as follows:

i. On or before the tenth day of each month, Richard shall submit a sworn, written report to the Securities Administrator identifying each sale of an annuity or insurance policy made by him during the preceding month pursuant to the exception set forth in Paragraph 3(b) above. For each such sale, the written

report shall include the customer's name, the customer's age, the sales price, the type of product, and the name of the issuing insurance company.

ii. Richard shall arrange for, submit to, and fully cooperate with a quarterly audit by an active or recently retired Maine-licensed insurance agent approved in advance by the Securities Administrator. Richard shall be responsible for the auditor's compensation. The audits shall be performed in March, June, September, and December of each year. The auditor shall report in writing to the Securities Administrator, with a copy to the Superintendent of Insurance, within ten days after completing each audit. The reports shall include a detailed discussion of the review performed by the auditor and the auditor's evaluation of the Richard's compliance with this Consent Judgment, the accuracy of Richard's reports under Paragraph 3(e)(i) above, and the suitability of annuities or insurance policies sold by Richard pursuant to the exception set forth in Paragraph 3(b) above.

4. Richard shall pay \$23,000 to the Securities Administrator according to the following schedule:
- a. \$5,000 within 30 days after this Consent Judgment has been entered on the docket.
 - b. \$500 on or before the last day of each succeeding month until the entire \$23,000 has been paid.

5. The Court shall retain jurisdiction over this matter.

The Clerk is directed to incorporate this Judgment on the docket by reference pursuant to M.R.Civ.P. 79(a)

Dated: December 3, 2003

s/S. Kirk Studstrup
Hon. S. Kirk Studstrup
Justice, Superior Court

WE CONSENT:

Dated: November 26, 2003

STATE OF MAINE

s/Michael J. Colleran
Michael J. Colleran, Bar No. 9247
Assistant Attorney General
6 State House Station
Augusta, ME 04333-0006
(207) 626-8800

Dated: November 24, 2003

OFFICE OF SECURITIES

s/Christine A. Bruenn
Christine A. Bruenn
Securities Administrator

Dated: November 19, 2003

s/Paul E. Richard
Paul E. Richard